

**Middlesbrough Council Independent Improvement Advisory Board:
Fourth Report
September 2024**

PURPOSE

1. This is the fourth report of Middlesbrough's Independent Improvement Advisory Board (MIIAB).
2. MIIAB's Terms of Reference commit it to report half-yearly to the Council as whole alternating with half-yearly reports to the Executive. The aim of this reporting cycle is to assure the Council and its stakeholders that the right actions are being undertaken, the right changes are being made, and the fundamental issues are being resolved.

BACKGROUND

3. At the invitation of the Council, and with the advice of the Local Government Association, the MIIAB was established in October 2023. It is a non-statutory Board which brings together independent expertise from across the sector. The Board is part funded by the UK Government as part of the LGA's sector improvement programme.
4. The Board was established to provide oversight, support and challenge to the Council's improvement and transformation journey. This includes a focus on helping the Council ensure compliance with its Best Value Duty under the Local Government Act 1999; particularly around:
 - 4.1. Cultural and governance issues, including those identified through the previous Chartered Institute of Public Finance and Accountancy (CIPFA) review, progress towards implementing the actions arising from the Section 24 Statutory Recommendations of the External Auditor and any future external auditor reports.
 - 4.2. Financial sustainability, including a balanced medium-term financial strategy aligned to the Council's Corporate Plan.
5. Underpinning the Council's improvement journey was a formal 'Best Value Notice' issued by the Department for Levelling Up Housing and Communities (DLUHC) on 24 January 2023. Within that Notice, it was clear that a failure by the Council to demonstrate continuous improvement would be judged to contribute to Best Value failure and the Secretary of State would consider using their statutory powers as appropriate.
6. That Best Value Notice was extended by DLUHC on 30 January 2024, for six months. That Notice set out the Department expectations that the Council would continue:
 - to work with the Independent Improvement Board.
 - efforts to deliver against its agreed action plan, accepted at Full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.
 - efforts to implement cultural change, particularly in relation to the relationships

between officers and members.

- to deliver on the Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.
7. In September the Council received two bits of good news which confirmed that, in the eyes of 2 government departments, the Council was making good progress. The Department for Education (DfE) lifted the Council out of 5 years of statutory intervention in Children's Services citing the strong leadership and progress made. Secondly, the Ministry of Housing, Communities and Local Government (MHCLG) which was formally known as DLUHC, decided not to extend the Council's Best Value Notice again citing the progress made.
8. Whilst these 2 decisions do not mean the Council does not face significant challenges ahead, it is a positive reflection of the improvements that the Council has made during the period the MIIAB has been in existence.

ACTIVITY SINCE LAST REPORT TO COUNCIL

9. Since the last update report to Council in March 2024, there have been some changes to the Board's operations, notably:
- 9.1. Introduction of an additional Board member with expertise in Childrens and Adults Services to provide additional 'People' services focus.
 - 9.2. A change in the Board member with financial expertise
 - 9.3. Move to a 6 weekly meeting cycle in order to release council capacity away from supporting the Board and towards supporting its improvement work.
 - 9.4. Extension of the Board's Term of Office until 31 March 2025 to align with the planned recruitment and transition to a permanent Chief Executive.
10. Through formal meetings, the Board has engaged with key elected politicians and officers at Middlesbrough Council, including the Mayor, Executive, Interim Chief Executive, Leadership Management Team (LMT), Head of Financial Planning and Support, Head of Governance, Policy and Information, Head of Strategy, Business and Customer, Head of Human Resources, and the Chair of Middlesbrough's Children's Executive Improvement Board (CEIB).
11. In addition to the Formal Board meetings, activity and support has included:
- 11.1. Meeting regularly (informally) to discuss and consider the progress the Council is making regarding its improvement journey.
 - 11.2. Meeting with all Political Group Leaders.
 - 11.3. Meeting with the Chair of Audit Committee, Chairs of Scrutiny Committees, and members of the Constitution and Members' Development Committee
 - 11.4. Providing an anonymised channel of communication for elected members.
 - 11.5. Observing public council committee meetings online.
 - 11.6. Meetings with a cross section of the Council's key strategic external partners.

- 11.7. Regular contact between the MIIAB Political Peer and Middlesbrough Mayor.
 - 11.8. Regular meetings between the MIIAB Chair and Middlesbrough's Interim Chief Executive.
 - 11.9. Meetings between the MIIAB Governance Lead and Middlesbrough's Director of Legal and Governance Services.
 - 11.10. Meetings between the MIIAB Finance Lead and Middlesbrough's Interim Director of Finance.
 - 11.11. Meetings between the MIIAB People Lead and Middlesbrough Director or Children's Services and Director of Adult Services.
 - 11.12. LGA provided Organisational Redesign support through the Decision-Making Accountability (DMA) approach.
 - 11.13. LGA Peer Challenge of Cultural Services.
 - 11.14. Offering support, including mentoring, for members of the Executive and LMT, and around councillor development.
12. The Board continues to be grateful for the constructive and open way the Council, at all levels, has engaged with it.

THE COUNCIL'S IMPROVEMENT JOURNEY: CULTURAL AND GOVERNANCE ISSUES

13. After the best part of a year of the MIIAB's work, it feels the Council continues to make good progress. The Council is clear about wanting to move through the steps of "recovery" through to "reset" and on to "delivery." There is now a clear vision for Middlesbrough and for the Council, although it needs a bit more socialising and continuous reinforcement. The leadership (officer and politician) of the Council could do more to better articulate what sort of place and what sort of Council they are aiming towards. Creating an inspiring narrative around this will help, even more, in pulling people together and galvanising collective action in moving faster in the right direction.
14. Having said that, there has been some good progress in the production of key strategies, such as on member development and the people strategy. Although there could be more done to align them to the council vision.
15. There has also been some significant progress around culture change. There is evidence of some better member behaviour, as well as some member-member and member-officer relationships. Also, at long last, there has been progress on the Councillor Gateway. These are early days and there will be some bedding in issues, but we were impressed by the cross-Group working carried out to get there.
16. On that front we generally see some signs of a greater willingness and desire to do what is right for Middlesbrough, greater openness and some good early signs around other cross-Group working such as on the Transformation Assurance Board, as well as some Vice Chairs of Scrutiny now being undertaken by members not from the controlling Group.
17. We don't have complete confidence that all these changes are embedded, and we

know you can and need to go further, but the steps taken are positive and you are to be congratulated.

18. The Mayor, himself, has led a lot of the positive change, with his open, engaging style, through initiatives such as “Coffee with Chris,” “Mayor’s Focus Group” and Department visits. But the organisation may want to consider whether the balance of effort on all this between the Mayor and the LMT is right, moving forward.
19. In summary, on culture and governance, there has been good progress. This has especially been due to changes in personnel over the last 18 months. Greater clarity over roles, work around code of conduct and behaviours and member training on the Councillor Gateway has all helped. But more needs to be done. There continue to be some member behaviours that concern us and the LGA over the next few months will be facilitating some political peer workshops and conversations onsite with all Middlesbrough Council elected members.

THE COUNCIL’S IMPROVEMENT JOURNEY: FINANCIAL SUSTAINABILITY

20. Your financial challenge is considerable. You need to ensure your financial recovery and stability and your short and long term financial resilience and sustainability.
21. We now know that your efforts in the previous financial year paid off. You made good progress in reducing your projected overspend from £11.5m in Q1 to £3.6m by Q4 outturn. But you did still overspend your budget last year and used up more of your reserves as a result.
22. You have set a budget for this financial year. But you needed to apply for Exceptional Financial Support from the Government to ensure you could set a balanced budget.
23. Of course, agreeing a budget is one thing. Delivering it is a very different one. Achieving the savings required within it is, and will be, very, very challenging. You are planning to do this largely through what you have called your “Transformation Programme.” This is basically about seeking to deliver the same or better outcomes for Middlesbrough and its people through different means, different approaches, different ways. Different ways should, within your plans, cost the Council less and save you money
24. Working to the budget you have set will need clear leadership and collective ownership. It will need a relentless attention to detail and strong accountability. It will be challenging and will require difficult decisions. Because of the balance of your spending, that will especially (but not only) require difficult decisions within services for children and services for adults.
25. You have put in place some appropriate project and programme management; such as the Transformation Assurance Board, Corporate Transformation Board, and Theme Boards with Executive Director sponsorship. The MIIAB have taken the opportunity to attend various transformation meetings to seek assurance that there is strong focus on delivery and appropriate escalation of issues through the governance structure. We are satisfied that there is an effective governance structure in place. But £13.9m of

savings/additional income is a big ask and the project and programme management arrangements you have put in place needs to be effective in ensuring those savings are found and delivered on time.

26. Exceptional Financial Support is a crucial one-off opportunity for you. It gives you time. But you need to use that time productively, effectively and carefully. If you don't, you will run out of time and run out reserves. The new Government have not yet made any announcements on the future of Exceptional Financial Support, if indeed there is a future for it.
27. You are already overspending your agreed budget for 2024/25. You need to do all you can, all pull together to deliver the budget that the Council set. If you don't meet the challenge, there will be no financial bail out. Indeed the letter to The Mayor from the MHCLG Minister reminded the Council that a failure to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using their powers as appropriate.
28. The current year's overspend will have an impact on the 2025/26 position, and we note that the most recent report to Executive shows an estimated 2025/26 budget gap of £7.9m. We would urge you to have a laser focus from all of you on the delivery of the 2024/25 budget and the development of robust options to close the 2025/26 gap.
29. On this front, we would particularly like to see even greater evidence of LMT collectively acknowledging the overall situation and owning the challenge of the budgets they have been set. Overspending is not uncommon and reflects national and regional trends in demand and costs. But this needs to be seen as a team responsibility, not just that of the CFO and CEO.
30. The MHCLG removal of your Best Value Notice is a vote of confidence in you. We feel you can do this too. But it is a huge challenge. This financial year is crucial.

TRANSITION TO A BUSINESS AS USUAL ENVIRONMENT

31. Many of the actions within the Corporate Governance Improvement Plan are now complete and the Council needs to turn its attention to maintaining a strong focus on delivering its transformation programme whilst transitioning to a 'business as usual' environment and 'normal' governance arrangements, following the removal of statutory intervention.
32. Due to the need to maintain a focus on transformation it is premature to move towards implementing a continuous improvement model just yet, but the council needs to begin thinking about how it works towards a continuous improvement model as transformation activities are delivered.
33. At the time of writing this report the Council had advertised for a permanent Chief Executive as well as a permanent Director of Finance and Transformation. These are important appointments with interviews expected in November and the Council should carefully consider the experiences and leadership qualities that it requires from both positions in order to continue to drive forward the transformation required to become a

'Best Value' council.

34. The MIIAB believes that the council is now entering a critical transitional period as officer leadership changes around March 2025. Work had already commenced around developing a new Target Operating Model and considering what that may possibly mean in terms of future structural change. As time moves on, and with the appointment of a new permanent CEO in mind, the council may wish to consider whether these are issues that are perhaps led by the new CEO with the interim CEO continuing to deliver the transformation (and budget) priorities through to March 2025.

SUMMARY

35. In summary the MIIAB would encourage the Council to:
- 35.1. Continue to embed improvements in member behaviour and conduct
 - 35.2. Retain a laser focus on delivering a balanced budget for 2024/25 and using the transformation programme to support this
 - 35.3. Begin the process of moving away from an intervention governance model to a business as usual governance model
 - 35.4. Be clear about leadership priorities as the council transitions to permanent officer leadership arrangements.